

case study

Hilton Hotel Worldwide: A case study exploring corporate social responsibility and stakeholder management

By Antonia Noonan and Caddie Putnam Rankin

Introduction

Case Dilemma

As a hospitality student, your interest in the industry led you to purchase Hilton Hotel Worldwide (HHW) stock. You are a proud HHW shareholder. In the time you have been a shareholder, you have been pleased with the investment. In an upcoming HHW shareholders meeting, a proxy ballot will be introduced to vote on a proposal to include Corporate Social Responsibility (CSR) performance among the factors considered in awarding executive pay.

The clause states:

The shareholders of Hilton Hotel Worldwide request the Board's Compensation Committee to include corporate social action as one of the performance measures for senior executive's compensation under the Company's incentive plans. Corporate social action is defined as how environmental and social concerns are addressed, monitored and integrated into corporate strategy over the long term.¹

From your hospitality courses, you are aware of the efforts the industry has made addressing CSR issues, however, you are not specifically familiar with HHW history of addressing CSR concerns and the company's ongoing level of commitment. You decide to conduct research in order to make an informed decision on the shareholder resolution. You start with a review of the CSR theories introduced in your Eco-Tourism class. Then you conduct additional research on the history of CSR in the hospitality industry, HHW reaction and resolution to CSR conflicts and finally, consider if an additional CSR focus will provide HHW with a competitive advantage. Once you review your research, you will make your decision.

Corporate Social Responsibility Theoretical Perspective

Corporate Social Responsibility (CSR) is focused on business' obligations and behavior towards society. Some narrow the scope to business stakeholders such as employees and customers while others more broadly include the environment and sustainability. However, most agree, CSR is a difficult concept to define. It overlaps with "other concepts such as corporate citizenship, sustainable business, environmental

responsibility, the triple bottom line; social and environmental accountability; business ethics and corporate accountability" (Broomhill, 2007, p. 6). Carroll's (1979) widely used definition of CSR claims that "CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive . . . The CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen" (Carroll, 1999, p.286). Porter and Kramer (2002, 2011) suggest that by incorporating CSR into business practice, organizations can achieve a competitive advantage over their industry rivals (see Figure 1).

Adam Smith's "invisible hand" allegory contends that it is each person's responsibility to "render the annual revenue of society as great as he can" and by pursuing and acting in one's self-interest is the best interest for society. In pursuit of self-interests, it is understood that an individual will be acting in a moral and just fashion in and thereby, in a socially responsible way. However, Smith points out, no matter how noble or righteous the cause, executives (corporations) do not have the right to be generous with others money (Smith, 1994).

Similarly, Milton Friedman's (1970) shareholder theory asserts that shareholders are the owners of a company, and the firm's sole obligation is to increase profits for the owners; the firm's objective and fiduciary obligation is to maximize shareholder wealth. If CSR initiatives increase profits then shareholders should implement such initiatives.

In contrast, stakeholder theory argues that there are other parties concerns that should be considered, including governmental, associations, communities, suppliers, employees, and customers (Freeman, 1984). From the viewpoint of the stakeholder theory, the HHW board of directors, operators and hotel managers are morally obligated to balance the interests of shareholders (owners) and other stakeholders because as operators, they have a fiduciary and ethical responsibility toward all stakeholders

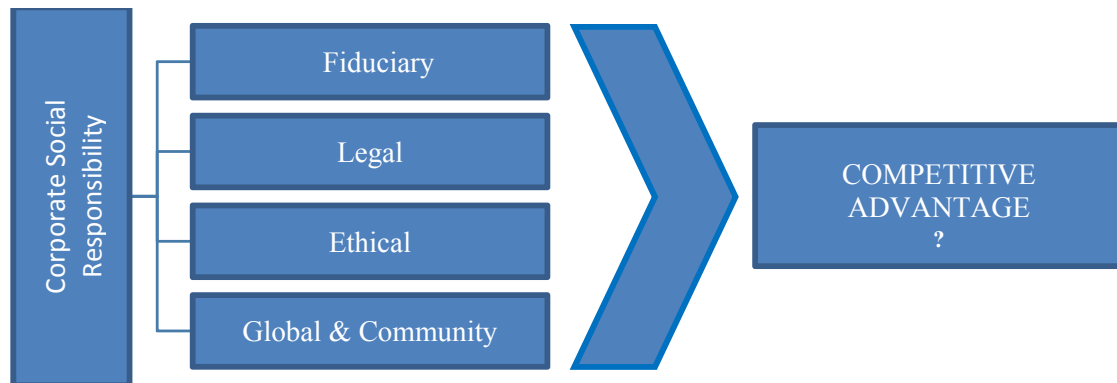
Carroll's (1991) Pyramid of Social Responsibility describes four kinds of social responsibility that build upon each other and can be depicted in a pyramid. At the top of the pyramid is philanthropic responsibilities (Corporate Social Performance- managerial discretion), which is described as being a being a good corporate citizen, promoting behaviors that encourage goodwill and human welfare. Carroll (1979) believed philanthropic responsibilities were not expectations like economic, legal and ethical responsibilities located in the base of the pyramid (Velasquez, 2014). From a philanthropic responsibility viewpoint (the top of

¹ This is a fictitious proxy vote used as an example for the case study.

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Figure 1

CSR Analysis Competitive Advantage Framework



the pyramid), an organization contributes resources to the community/society in an effort to improve quality of life.

Corporate Social Responsibility in the Hospitality Industry

It is commonplace to have CSR topics introduced during the orientation of new employees and presented as a topic in management training. For example, corporate management companies may have the resources to provide extensive CSR training and development while smaller companies and single ownership hotels may not be able address CSR topics beyond employee orientation. Such inconsistencies stem from fragmented nature of the hospitality industry and make the development of a universally accepted, industry wide training programs difficult. Kazim (2009) affirms that one of the biggest challenges and barriers to the implementation CSR in the hospitality industry is the lack of managerial awareness and training at the property level. Another reason for the limited understanding of CSR is due to the current trend of touting environmental sustainability efforts by communicating CSR actions as sustainable hospitality (Levy & Park, 2011).

Lee and Tsang (2013) and Knani (2013) assert that while CSR is a growing challenge in the hospitality industry, "the understanding of ethical perception and moral position of all stakeholders should be accentuated" (Lee et al., 2013, p.239) in the business culture from the individual property unit to the boardroom. By the nature of its business, the hospitality industry has always been susceptible to unethical practices, as employees are frequently confronted with morally and ethically ambiguous situations. These dilemmas are not, however, limited to the property level. The larger hotel brands are publically held corporations that own, manage or franchise hotels. Public sector scrutiny from a myriad of stakeholders makes hospitality boards of directors, corporate executives, operators, owners and employees susceptible to lack of and/or questionable CSR, namely CSR motivation

and questionable methodologies of ranking CSR engagement against competition. Other negative outcomes have been brought to the public's attention and have provided a framework for organizational change and improved best practices for the industry.

A single hotel's success in their market can be impacted by positive and negative reactions to the corporate brand. For example, negative brand publicity in responsibilities may create opportunities for the competition to exploit a perceived weakness. HHW suffered from such public scrutiny from sex trafficking accusations in 1998, corporate espionage scandal in 2009 and more recently in 2015 amidst concerns whether HHW officers and directors breached their fiduciary duties and caused damage to the company and its shareholders². However, in the wake of turmoil, controversy and public dissidence, HHW successfully integrated a robust corporate code of conduct, introduced a proprietary environmental reporting program, and integrated a company-wide Corporate Social Responsibility (CSR) communication platform. These initiatives created opportunities and provoked changes in basic practices to overcome public grievances and elevate HHW to a CSR leader in the hospitality industry.

Fiduciary, legal, ethical, and global/community responsibilities can provide the hospitality industry with a competitive advantage over their rivals. In an effort to evaluate hospitality CSR and the prospect that CSR actions can provide one hotel or brand a competitive advantage over their rivals, this case study focuses on HHW CSR engagement in the area of fiduciary, legal, ethical, and global/community responsibilities.

² From "Hilton Worldwide Holdings Inc. (NYSE:HLT) investor investigation concerning potential wrongdoing announced," 2015, March 23, retrieved <http://shareholdersfoundation.com/caseinvestigation/hilton-worldwide-holdings-inc-nysehlt-investor-investigation-concerning-potential-wrongdoing-announced>

Fiduciary Responsibilities

The primary responsibility of any organization is to survive. Survival is, more often than not, based on an organization's ability to remain fiscally responsible. In recent years, management of hotels has moved from an owned and managed model to a model where the owner hires a management company to oversee the operation of the asset. Similarly, HHW has also moved to this model to reduce capital and increase shareholder worth by focusing on high value added activities like managing hotels without owning the asset. As a management company, the operator is an "agent" and therefore assumes fiduciary obligation to maximize profits and to inform ownership of how profits are achieved. In addition, central to the owner-management relationship is management's duty to side with ownership priorities -- to choose the principal's (owner's) interest over their own interests (Friedman, 1970).

Moving from an owner-management to a franchiser-management model, more than ever before, the customer is the primary asset to build shareholder wealth. An example of HHW commitment to focus on the customer and build customer loyalty to gain a competitive advantage was the creation of Hilton's proprietary customer information system called OnQ³. Introduced in 2004, OnQ provided state of the art guest recognition, offered guest convenience and efficiency through web based check in as well as offering the option of using time saving kiosks for hotel check in and check out.

Despite these strengths in building their fiduciary responsibilities, some weakness can be noted. As a publically traded company, and similar to the owner-management relationship, the HHW Board of Directors has a fiduciary responsibility to its shareholders and to maximize, where possible, their profits. The directors and shareholders both shared in the benefits of the leveraged buy-out sale of HHW to Blackstone in 2007. Shareholders overwhelmingly approved the transaction, receiving \$47.50 per share, which was 40 percent higher than the stock price the day before the acquisition was announced (Clausing, 2007). Despite the shareholder goodwill gained from the sale, and a self-imposed code of conduct⁴, HHW's Board has gained unfavorable attention and is under scrutiny for unethical business practices. In March, 2015, the Shareholders Foundation announced an investigation on behalf of current long-term investors over potential breaches of fiduciary duties by HHW officers and directors causing damage to the company and its shareholders. While little public information is available regarding the details and status of investigation, the insinuation of misconduct has had little effect as HHW stock. In fact in

3 From "Hilton's Customer-information System, Called OnQ, Rolling out across 8 hotel brands," Hotel Online, 2004, retrieved from http://www.hotel-online.com/News/PR2004_3rd/Aug04_OnQ.html

4 From "Hilton Hotels Corporation code of business conduct and ethics," n.d., retrieved http://media.corporate-ir.net/media_files/irol/88/88577/corp.gov/codeofethics_013004.pdf and "Corporate governance guidelines," 2015, August 6, retrieved http://ir.hiltonworldwide.com/files/doc_downloads/GovernanceDocuments/2015/Corporate-Governance-Guidelines-2015.pdf

mid-April 2015, HHW reached an all-time high—reflecting an increase of 16.9% year-to-date⁵.

Legal Responsibilities

In common law, the innkeeper was required to provide food, lodging and safety for its guests. Today, hotels are still liable as innkeepers adding the additional provision that the innkeeper must also provide the service of food and lodging in a non-discriminatory manner. While innkeepers are not insurers for the safety of their guests, innkeepers laws impose a duty to provide reasonable care in promoting their safety. These elementary innkeeper's laws have been tested by disgruntled guests in a plethora of cases of claims ranging from injuries caused by defects in guest rooms to emotional distress caused by not having a room available upon check in. In such cases, courts generally uphold that an innkeeper owes a guest the duty of maintaining the premises of the hotel in reasonably safe conditions, taking care not to expose them to danger. Other legal responsibilities include anti-trust issues, franchise agreements, meeting and sleeping room contracts and labor disputes.

The Corporate Governance section of HHW 2013-2014 Annual Corporate Responsibility Report specifies that Hilton views legal compliance as an "opportunity to strengthen the communities where we live, work and travel"⁶. To further illustrate the company's commitment, the report details companywide standards that create a safe and healthy environment for team members and guests, specific legalese regarding majority owner representation, board compliance, and majority board voting provisions. Furthermore, the Corporate Responsibility Report describes "reporting and investigation procedures to promote legal compliance and ethical behavior globally" that is verified by an independent audit committee to ensure legal compliance is authentic. According to researchers Font, Walmsley, Cogotti, McCombes, and Häusler (2012), HHW is the only hotel chain that permits an external audit of its CSR reporting.

To ensure all levels of associates are informed about pertinent legal matters, the HHW Corporate Responsibility Report identifies specific training topics that were highlighted the previous year that addressed various legal concerns. For example, in 2013 and 2014, anticorruption training was provided to all global associates at the corporate director title and above. A legal and compliance training program was launched globally that focused on "communicating critical policies on anti-corruption, confidential information and trade secrets, and trade sanctions, among others. Each of the core compliance topics relates to laws created in various countries in order to protect society"⁶. Overall, HHW efforts to engage employees and inform stakeholders of

5 From "Hilton and Wyndham bulls are checking into the hoteliers," by Yamamoto, M., 2015, April 14, retrieved <http://www.thestreet.com/story/13106557/1/hilton-and-wyndham-bulls-are-checking-into-the-hoteliers.html>

6 From "Travel with a purpose 2013-2014 corporate responsibility report: Corporate governance," 2013, retrieved from <http://cr.hiltonworldwide.com/approach/governance.php>

the company's legal compliance are commendable.

Understandably, there is little published information regarding legal issues in the HHW sponsored information. Evaluating the placement of information in the Corporate Responsibility Report, legal and business ethics topics are consistently combined in the same category throughout HHW website and literature. This makes sense because an unlawful act is usually unethical. Within the context of the report however, self-regulation and the corporate code of conduct sometimes reveal discrepancies. Jameson (2011) emphasizes "a consistent ethical stance is a goal companies must strive for if they are to persuade employees -- and the public -- that codes of business conduct and ethics are not mere window dressing" (p. 296). An example of the discrepancy between corporate policy and actual behavior can be studied in the Starwood v. Hilton espionage scandal.

Ethical Responsibilities

Hospitality employees are susceptible to unethical situations and behaviors. As a result, hotel companies attempt to stay vigilant by incorporating an ethics-dimension to their company culture. A study conducted by Bonitto and Noriega (2012) explored whether individuals in service industry leadership positions thought unethical behavior existed among their peers. Overwhelmingly, respondents felt that unethical practices exist and reported concern that dishonorable behavior is on the rise. Respondents identified that the majority of unethical decisions stemmed from greed, moral perceptions, job protection and the desire to perform to organizational pressure (including to enhance personal income or retain position). Beyond instituting an ethics based corporate code of conduct, efforts to increase employee awareness of business ethics and CSR must be supplemented with on-the-job-training, education and tools for employees to use to help identify, vet and respond to ambiguous ethical situations. An ethical corporate culture will encourage an appreciation of ethics and promote the idea that one's actions have an effect on peers, departments, individual hotels, and the company.

Like most large companies today, HHW has developed an internal code of conduct intended to provide ethical and moral guidance. The tenets of the code are imbedded in the Corporate Responsibility Report, supplemented by a 20-page document highlighting the importance of ethical behavior in the company's CSR initiative. The code includes a standard of conduct for collective team members and addresses 25 ethics sub categories (see Table 1). The 2013-2014 Corporate Responsibility Report also provides 2013 employee engagement statistics. For example, the report notes that more than 45,000 employees completed the online Code of Conduct training module and employees at an additional 554 properties received offline training. Also stated in the report and Code of Conduct is the following statement regarding HHW commitment to ensure employees engage in annual training through a certification process (see Table 2).

Bohdansowicz and Zientara's (2009) article focusing on social reporting in the hospitality industry found HHW and AccorHotels exceeded all other brands in relation to their CSR reporting. However, formulating a detailed written statement of ethics or code of conduct with specific documented policies does not provide fail-safe methods for preventing unethical behavior. Greenwashing, writing fake on-line travel reviews, truth in advertising and add-on pricing disclosures are just a few areas in which managers engage in ambiguous unethical behavior that may go undetected.

In 2009, however, unethical behavior at HHW was publically noticed. In a highly visible, dramatic and at times contentious lawsuit, Starwood Hotels and Resorts Worldwide charged HHW with industrial espionage and theft of trade secrets -- specifically focused on research and development blueprints to create a new lifestyle brand similar to Starwood's successful W Hotel Brand. The espionage came to light when Hilton hired two former senior executives from Starwood in 2008 who, prior to leaving the company, took over 100,000 electronic Starwood files containing confidential corporate information and company trade secrets. The stolen information saved HHW millions of dollars of research and thousands of hours of development time. Starwood's suit claimed misappropriation of trade secrets, breach of contract on Starwood's non-solicitation, confidentiality and intellectual property agreements, fraud, unfair competition, conversion, breach of fiduciary duty, unjust enrichment, and the violation of the computer fraud act among others (Clausing, 2010). In December 2010, Hilton settled the lawsuit for a reported \$150 million and severe restrictions on Hilton's future business, including a ban on introducing a new lifestyle brand for two years. "Although Hilton admitted no guilt, the massive settlement suggested the company feared it would lose more if it went to trial" (Jameson, 2009, p. 292).

Jameson (2009) points out that that at the time of the lawsuit, Sheraton's and HHW's business ethic code, confidentiality agreements and code of conduct statements focused solely on its own self-interests and self-protection. This incident clearly identifies the need for hospitality companies to include statements that specifically speak to prohibiting giving information and using improperly obtained information about a competitor. Consequently, a review of HHW 2007 CSR and Annual Reports (2008, 2009 not available) reveals that a corporate code of ethics is not included in the document, however the 2013-2014 Corporate Social Responsibility Report includes a section dedicated to explicit instructions regarding the distribution of HHW proprietary documents as well as receiving such information from the competition (see Table 3). During this period, the lawsuit settlement, residual bad press and the economic downturn resulted in HHW revenue decline of 20 percent and a cash flow decrease of 30 percent. Blackstone, HHW ownership, was in danger of losing its investment of \$5.6 billion (Cohan, 2014).

Evaluating HHW CSR focus on ethical responsibilities is best illustrated by examining the inclusion of business ethics in communication

Table 1

2013 Excerpt from Hilton Hotels Worldwide Code of Conduct

Business Ethics	Global Citizenship	Team Member Standard of Conduct
Advertising and Marketing	Human Rights	Respecting and Valuing Diversity
Proprietary, Confidential and Trade Secret Information	Prohibition Against Human Trafficking	Maintaining a Harassment Free Workplace
Conflict of Interest	Our Communities	Creating a Safe Work Environment
Corporate Opportunities	Commitment to the Environment	Drug and Alcohol Free Workplace
Family & Personal Relationships	Bribery and Other Corrupt Practices	Maintaining a Violence Free Workplace
Reportable Interests and Relationships	Who is a Government Official?	Unacceptable Behaviors
Personal Investments	Commercial Bribery	
Business Courtesies (gifts, favors and entertainment) What are they?	Complimentary Treatment of Union Official	
Financial Obligations	Boycotts	
Officers and Directors	Trade Embargo and Export Controls	
Fair Dealings	Anti- Money Laundering	
Purchasing Practices	Political Involvement in US Elections	
Retention of Records	Non-US Elections	
Protecting Hilton Information	Individual Political Activity	
Guidelines to Consider	Government Relations	
Tips and Gratuities	Accuracy of Information	
Competition and Antitrust	Compliance with US Lobbying Laws	
Privacy		
Outside Business Activities		
Secure Disposal of Confidential Information		
Third Party Information		
Social Media		
Protecting Hilton Asset		
Creating and Maintaining accurate Business Records		

prior and post the 2009 Starwood lawsuit. Prior the scandal, HHW CSR reporting was viewed as superior to the competition however, CSR did not include a corporate code of ethics or provide significant attention to training and mandatory annual certification compared to what is required of HHW executives, managers and hourly employees today. In this respect, and perhaps because of the espionage case, HHW has made great strides in formalizing an inclusive CSR program. In fact, 2014 HHW was ranked the #2 Most Admired Company by Fortune Magazine in the Hotel, Casino and Resorts division⁷. This ranking alone is impressive however the industry especially took note of the accomplishment since HHW was not even in top 10 in 2013.

⁷ Fortune Magazine The Most Admired list a report card on corporate reputations. The Hay Adams Group selects the 15 largest international industry and the 10 largest U.S. industry, surveying a total of 668 companies from 29 countries. To create the 55 industry lists, Hay asked executives, directors and analysts to rate companies in their own industry on nine criteria, from investment value to social responsibility. A company's score must rank in the top half of its industry survey to be listed. From <http://fortune.com/worlds-most-admired-companies/>

Global and Community Responsibilities

According to the 2014 United Nations World Tourism Organization (UNWTO) annual report, today's global tourism is an economic force with a significant combined direct and indirect impact on the global economy. (see Figure 2). HHW along with other global hospitality companies are investing in new destinations providing an important driver of economic progress through the creation of jobs and infrastructure development⁸. Hoteliers entering into new markets are challenged with achieving financial success while respecting the values and culture of the community and environment. In 2011, HHW introduced "Travel with a Purpose"⁹ (see Table 4) as their global corporate responsibility commitment that focuses on "creating shared value and provides a cohesive, yet flexible

⁸ From "UNWTO Tourism highlights 2015 edition," 2014, retrieved from www.e-unwto.org/doi/pdf/10.18111/9789284416899

⁹ From "Travel with a purpose, corporate responsibility report 2012-2013," 2013, retrieved from http://cr.hiltonworldwide.com/2012/_pdf/Hilton_2012CRR_PDF_v22.0.pdf

Table 2

Corporate Code of Conduct Certification

All executives of Hilton, all General Managers of the Hotels, and all “key” team members as designated by the Assistant General Counsel, Governance and Compliance or the General Counsel, shall annually certify that they have received and read the Code of Conduct, that they understand it, and that they agree to abide by it. All Team Members are expected to read, understand and comply with the Code of Conduct. Any failure to comply with these requirements may result in discipline up to and including termination of employment, as appropriate.

framework to guide the activities of (our) business across regions, brands and properties”. Informing stakeholders and committing resources to address growing global and community challenges heightens awareness however, the industry’s main challenge is preserving a consistent global approach and implementing good global human relations, sustainability/ environmental programs, training-development programs and service related standards in a fractured industry with limited mandating control inherent in the franchise-management operating model.

For the past 25 years, the main CSR focus in the lodging industry has largely been on environmental concerns and the efficient use of energy. Research in 2007 by Holcomb, Upchurch & Okumus (2007) included a content analysis of hospitality company web sites, annual reports and (online) CSR reports to measure hotels’ CSR commitment. Of all the companies observed, “Hilton Corporation provided the most detailed information regarding their CSR activities” (p. 465). Their annual Corporate Responsibility Report and code of conduct outlined policies beyond environmental and conservationist activities to include efforts on equal opportunity and diversity, human rights, health, safety, as well as environment sustainability.

As part of their comprehensive CSR program HHW pioneered an environmental benchmarking tool called Hilton Environmental Reporting (HER). In 2010, HER was replaced by LightStay, a proprietary monitoring system developed to calculate and analyze environmental impact. In the first year of testing, results showed that the 1,300 Hilton Hotels using the system “conserved enough energy to power 5,700 homes for a year, saved enough water to fill more than 650 Olympic-size pools and reduced carbon output equivalent to taking 34,865 cars off the road. Reductions in water and energy use also translated into dollars-saved for hotel owners, with estimated savings of more than \$29 million in utility costs in 2009¹⁰” To confirm the timely implementation and validity of the program, HHW hired KEMA-Registered Quality, Inc.—a Management Systems design company—to perform a series of third-party audits of LightStay.

When HHW publically introduced LightStay in an April 2010 press release, aggressive objectives and goals were put forth that

¹⁰ From “Hilton Worldwide Unveils “LightStay” Sustainability Measurement System,” 2010, retrieved from <http://news.hilton.com/index.cfm/news/hilton-worldwide-unveils-lightstay-sustainability-measurement-system?tl=it>

mandated the use of Lightstay in all HHW hotels by the end of 2011. Conservation and sustainability was to be a brand standard (like service) and when achieved, HHW would be the first major multi-brand company in the hospitality industry to require property-level measurement of sustainability. By the end of 2011, Hilton met this goal¹¹.

HHW continues to broaden its sustainability strategy. In 2015 the CSR team introduced “Meet with Purpose¹²,” a concept designed to assist meeting planners reduce waste and incorporate health and wellness into meetings and events. The concept focuses on two areas: Mindful Eating, which is designed to minimize food waste and encourage healthy choices; and Mindful Meeting, which outlines meeting practices that are less resource-intensive.

In addition to these efforts, HHW extends global and community CSR activities beyond environmental conservation and sustainability. The HHW CSR and Public Relations Department frequently communicates through their Travel with a Purpose campaign that highlights current CSR activities, through social media (encourage to Tweet) and press releases. Travel with a Purpose initiatives support a wide range of organizations, ranging from funding a filmmaking grant at the Sundance Film Festival (for eco-centric films), to efforts to support woman owned and minority suppliers, repurposed waste objectives, animal protection interventions and local efforts to support community food banks¹³. A sample list of 2013- 2014 initiatives can be found in Table 4.

Overall, HHW global and community responsibilities are commendable. However, prior to the roll out of its corporate code of conduct in 2010, HHW attracted negative press from reports concerning child trafficking and prostitution in several Hilton Hotels. Chinese police found a brothel operating in a Hilton Hotel in southern China and, earlier in the year, a similar incident was reported in Ireland. To make matters worse, activists sent thousands of letters in protest of HHW’s delay in addressing the issue and for not signing the End Child Prostitution, Child Pornography and the Trafficking of Children for

¹¹ From “Hilton Worldwide announces 2011 LightStay sustainability results,” 2012, retrieved from <http://news.hiltonworldwide.com/index.cfm/news/hilton-worldwide-announces-2011-lightstay-sustainability-results>

¹² From “Hilton introduces ‘Meet with purpose’ to inspire sustainable, healthy choices for events,” 2015, retrieved from <http://news.hiltonworldwide.com/index.cfm/news/hilton-introduces-meet-with-purpose-to-inspire-sustainable-healthy-choices-for-events>

¹³ Retrieved from Hilton Worldwide News <http://news.hiltonworldwide.com/>

Table 3

Corporate Code of Conduct – Distribution of Proprietary Documents

Hilton has a zero tolerance policy concerning the acquisition, possession or use of proprietary, confidential or trade secret information of Hilton's competitors and other companies. This policy applies equally to Team Members bringing proprietary, confidential or trade secret information to their jobs with Hilton that was obtained during the course of their employment with any former employer, regardless of whether or not they were the author or creator of such information.

Sexual Purposes¹⁴ (ECPAT) code of conduct. HHW declined to join other hoteliers in their support of the ECPAT code because they felt their newly created corporate code of conduct would suffice (Bhandari, 2010). Although the intention was to illustrate HHW independent commitment to the stop sex trafficking, failing to sign the ECPAT code of conduct—uniting with other hoteliers—had proven to be a public relations oversight that caused negative publicity and tarnished Hilton's public perception.

HHW CSR Assessment and Competitive Advantage

The hospitality industry has embraced CSR and most major hospitality companies are actively participating in socially responsible activities. In the past, lodging companies tended to communicate CSR as sustainable efforts, however major brands have moved toward a more balanced approach, incorporating philanthropy, community service, and special interest groups that extend beyond conservation and environmental sustainability. As pointed out by researchers (Bohdanowicz, 2007; DeGrosbois, 2012), HHW is as a leader in CSR reporting and transparency and deploys considerable resources to engage internal and external stakeholders its CSR efforts. These efforts have provoked changes in the company. For example, years after the 1998 sex trafficking allegations, HHW and Carlson Hotels Worldwide are today's global hospitality leaders against sex trafficking – matching stakeholder donations, assisting activist efforts and building awareness. Similarly, after the alleged espionage scandal in 2009, HHW instituted unprecedented CSR transparency via the internet and shareholder engagement. In addition, to face the espionage scandal head on, HHW rolled out a corporate code of conduct and robust training and certification program centered on integrity, business ethics and global citizenship.

Gaining and sustaining competitive advantage has been recognized as the single most important goal of an organization (Porter,

1980) and is created through strategies that add value when the competition fails to do so. Over the past 25 years, CSR – and, in particular, “green” sustainability – has become a baseline requirement for all hotels. De Gosbois (2012) conducted data analysis research on CSR reporting in the hotel industry and found 109 out 150 of the largest hotel companies reported some information on CSR activities. The researchers further identified that of the 109 hotels communicating their actions, only half (54 hotels) discussed a commitment to specific goals. Even fewer hotels that actually list the actions directed at achieving the goal or report if the any of their CSR goals had been met.

One of the strengths that gives legitimacy and authenticity to HHW's CSR efforts is its reporting strategies and third party independent audit/verification process. The lagging reporting efforts by competitors and

Figure 2

2014 Global Impact of the Tourism Industry



the industry in general, however, poses challenges for stakeholders that are interested in a hotels CSR activities and commitment. It is difficult to tell if a company is reaching goals or if it is truly committed to CSR when outcomes are not measured, reported or verified. Companies that engage with third party audit (like HHW), given assurances that goals and performances are accurately reported. Due to the lack of verification, the general acceptance and universal commitment to CSR behaviors, the industry is susceptible to greenwashing. For example, often hotels portray towel reuse programs as environmental stewardship yet fail to make improvements in the area of greater environmental impact.

¹⁴ ECPAT International is a global network of organizations working together for the elimination of child prostitution, child pornography and the trafficking of children for sexual purposes. It seeks to ensure that children everywhere enjoy their fundamental rights free and secure from all forms of commercial sexual exploitation. Retrieved from <http://www.ecpat.net/>

Table 4

HHW Travel with a Purpose Initiatives

- Hilton Worldwide Launches its Largest Global Career Event Careers@Hilton Live: Youth in Hospitality Month invites job seekers around the world 05/01/2014
- New York Hilton Garden Inn Team Members Volunteer during Hilton Worldwide's Global Week of Service- 06/25/2013
- Hilton Worldwide Pledges to Hire 10,000 Veterans in Next Five Years and to Donate Millions of Hilton HHonors Points to Help Job-Seeking Veterans- 08/20/2013
- Hilton Worldwide Matches Donations to Support Philippines Recovery Efforts Nov 14 - 11/14/2013
- Hilton Worldwide Team Members to Fill the Earth with the Light and Warmth of Hospitality during First Annual Global Week of Service - 11/08/2014
- Hilton Worldwide Awards First Travel with Purpose™ Action Grants... Sep 19, 2013 10:05 AM ET Tweet This: Hilton Worldwide Awards First Travel with Purpose Action Grants ... in the communities Hilton Worldwide and its portfolio of hotels serve. 09/19/2013 - 10:05am
- Hilton Worldwide CEO Chris Nassetta Speaks With Reuters Davos Today About the Global Unemployment Problem- 06/25/2013 - 10:52am
- Hilton Worldwide Extends Soap Recycling to Japan-Globally, Hilton Worldwide's program has resulted in over a million bars of soap- 03/20/2014
- Home2 Suites by Hilton Celebrates Brand's First LEED Certified Hotel - 07/23/2012
- What Makes a Green Hotel ... Green Caribe Hilton in Puerto Rico that has gone Green in big ways? - 07/12/2013
- Hilton Worldwide Commits to Improving Animal Welfare in Supply Chain - 04/06/2015
- Hilton Worldwide Announces Commitment to Repurpose Waste across 90 Countries at Ninth Annual Clinton Global Initiative Meeting
- Hilton Worldwide, in partnership with Feeding America, The Global Food Banking - 09/25/2013

In order to create competitive advantage, CSR actions should be valuable, rare, unique and non- substitutable. Given the universal acceptance of CSR in the hospitality industry and the lack of an industry-wide reporting structure, CSR engagement may not provide a competitive advantage for any hotel however, CSR outcomes may create competitive advantage opportunities indirectly. For example, CSR efforts have shown to result in cost reduction, brand legitimacy and positive reputation are influential in gaining competitive advantage¹⁵. CSR can also influence turnover¹⁶, increased the company's attractiveness to employees¹⁷ and improve guest experiences¹⁸.

Yah or Nay—Casting a Balanced Vote

The shareholders of Hilton Hotel Worldwide request the Board's Compensation Committee to include corporate social action as one of the performance measures for senior executive's compensation under the Company's incentive plans. Corporate social action is defined as how environmental and social concerns are addressed, monitored and integrated into corporate strategy over the long term.

¹⁵ From "The Business Case for Corporate Social Responsibility: A review of concepts, research and practice," by Carroll, A., & Shabana, K., 2010, *International Journal of Management Reviews*, 12(1), 85–105.

¹⁶ From "Corporate social responsibility and labor turnover," by Vitaliano, D., 2010, *Corporate Governance*, 10(5), 563-573.

¹⁷ From "Toward a better understanding of the link between ethical climate and job satisfaction: A multilevel analysis," Wang, Y. & Hsieh, H., 2012), *Journal of Business Ethics*, 105, 535-545.

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Your research revealed valuable information to guide you to your decision. How will you vote on the shareholder resolution?

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